BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268–0001

PERIODIC REPORTING (PROPOSALS ONE THROUGH FIVE)	Docket No. RM2012-5

RESPONSES OF THE UNITED STATES POSTAL SERVICE TO
QUESTIONS 1 AND 8-11 OF CHAIRMAN'S INFORMATION REQUEST NO. 1

The United States Postal Service hereby provides its responses to Questions 1

and 8-11 of Chairman's Information Request No. 1. The request was issued on July 13,

2012, with responses due today. Each question is stated verbatim and followed by the

response. Responses to the remaining questions will be filed later this week.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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July 23, 2012

Question 1

According to the Postal Service, had it used Proposal One for FY 2011, the resulting unit delivery cost would have been 11.285 cents for all Standard Mail Carrier Route shapes combined using data by shape from public folder 19 in the FY 2011 Annual Compliance Report (ACR). The Postal Service plans to implement this proposal, if approved, using Carrier Route mail's delivery costs reported in Cost Segments 6, 7, and 10 of the Public Cost Segments and Components Report as a substitute for costs currently reported in public folder 19. These costs are contained in public folder 2 of the FY 2011 ACR.

a.　　Please compute a unit delivery cost for Carrier Route mail equal to 11.285 cents using the excel files in public folder 2, FY 2011 ACR.

b.　　If the computation requires linking to cells from more than one worksheet or workbook, please include the links for all computations.

c.　　Please provide a brief "walk-through" of the computation.

RESPONSE:

(a)-(c)　　　Unit delivery costs are computed by taking the ratio of the sum of direct

(cost segments 6, 7, and 10) and indirect delivery costs to originating volume.

The table on the following page details the calculation with sources to the public

folders filed with the FY 2011 ACR.

RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 1

Description	Row	Units	
CS6	(1)	($000)	$ 370,450
CS7	(2)	($000)	$ 215,256
City Piggyback Factor	(3)		1.314287
Total City Cost	(4)=((1)+(2))*(3)	($000)	$ 769,786
CS10	(5)	($000)	$ 227,759
Rural Piggyback Factor	(6)		1.261567
Total Rural Cost	(7)=(5)*(6)	($000)	$ 287,334
Total Delivery Cost	(8)=(4)+(7)	($000)	$ 1,057,119
Regular and Non-Profit Letters, Flats and Parcels	(9)	(000)	9,335,928
Carrier Route NSA Letters, Flats and Parcels	(10)	(000)	31,833
Total Volume	(11)=(9)+(10)	(000)	9,367,761
Unit Delivery Cost	(12)=100*(8)/(11)	Cents	11.285

Sources

(1) - USPS-FY11-2, Tab CS06, cell G20

(2) - USPS-FY11-2, Tab CS07, cell F20

(3) - USPS-FY11-24, Tab PBRatios, cell L20

(5) - USPS-FY11-2, Tab CS10, cell F20

(6) - USPS-FY11-24, Tab PBRatios, cell N20
(9)-USPS-FY11-4, Workbook FY2011 Standard Mail, Tab
Summary 1-P. C6-1 , cell H29
(10) - USPS-FY11-4-Workbook FY2011 Standard Mail, Tab
NSA-CR-HD-SAT P. C5-3, cell H13

Question 8

Please explain the criteria used in determining the quarterly sample size to be 550.

RESPONSE:

The sample size is the same as TRACS Intra-NDC and Inter-NDC Highway modes for

which the annual volume variable costs are comparable:

	FY11 Volume Variable Cost (000's)	Sample Size
Intra-NDC	$330,480	550
Inter-NDC	$418,688	550
VSD	$361,875	550

Question 9

The appendix attached to the Petition states that the primary sampling units are selected according to probability proportional to size. It also explains that a fixed sample size of 25 is obtained from the third stratum, and the remaining 525 units are allocated between the first and second strata in proportion to each stratum's total second-stage sampling unit count.

a.   Please provide the quarterly sample size by stratum (mail processing, non-processing, and other).

b.   Please explain the justification for using a fixed sample size of 25 for the third stratum as opposed to applying a probability sample that is proportional to size.

RESPONSE:

a.

	VSD Quarterly Sample Size by Stratum	
	Q1 FY2012	Q2 FY2012
Mail Processing	225	224
Non-Processing	300	301
Other	25	25
Total	550	550

b.   The primary sampling units within the third stratum are selected probability proportional to size. This is a probability-based sample for which the sampling weights account for the PPS selection probabilities and the fixed sample size of 25. Because this stratum is comprised primarily of empty trips and trips with empty equipment, a relatively small sample size is considered a more efficient use of sampling resources.

Question 10

Please provide all required input data, the computer program used for expanding sample data and generating the quarterly distribution key, the documentation of the statistical and computer program, and output of the estimation process.

RESPONSE:

Some documentation was provided in the Appendix attached to the Petition. Further material is contained in library reference USPS-LR-RM2012-5/NP1, which is being filed under seal.

In addition, the Postal Service notes that two minor revisions were made to the TRACS VSD estimation process to improve the original distribution key: a ratio-based estimator replaces the arithmetic average-based estimator used to consolidate and weight the Q1 FY2012 and Q2 FY2012 components of the distribution key; and a line of the mainframe computer programming code is revised to align the second-stage expansion process with the VSD system's multi-stage expansion formula. These improvements are reflected in the responses provided to this Chairman's Information Request. The updated cost table follows below.

C/S 8 VEHICLE SERVICE DRIVERS

Line No.	Class, or Sub-class	CRA Class	Attribut-able Cost	Piggyback Factor	Original FY11 CS8 costs w/Piggyback using proxy Intra-Scf key	FY11 CS8 costs w/Piggyback using VSD sample key [1]	Net Changes	FY11 Volume	Change in Cost per Piece
	UNITS		$(000)	$(000)	$(000)	$(000)	$(000)	(000)	$
	Market Dominant Products								
1	FIRST-CLASS MAIL								
2	SINGLE-PIECE LETTERS	3	39,555	1.618	$ 63,983	$ 38,993	$ (24,990)	24,550,824	-$0.001
3	SINGLE-PIECE CARDS	4	1,160	1.618	$ 1,876	$ 1,544	$ (332)	1,295,941	$0.000
4	PRESORT LETTERS	8	25,525	1.618	$ 41,289	$ 45,175	$ 3,886	41,740,735	$0.000
5	PRESORT CARDS	9	1,496	1.618	$ 2,420	$ 1,799	$ (621)	2,753,763	$0.000
6	FLATS	14	18,916	1.618	$ 30,598	$ 37,391	$ 6,793	2,230,920	$0.003
7	PARCELS	15	17,162	1.618	$ 27,761	$ 32,546	$ 4,785	637,982	$0.008
10	TOTAL FIRST-CLASS	100	103,812	1.618	$ 167,924	$ 157,449	$ (10,475)	73,210,165	$0.000
11	STANDARD MAIL								
12	HIGH DENSITY & SATURATION LETTERS	21	1,238	1.618	$ 2,003	$ 1,136	$ (866)	5,653,875	$0.000
13	HIGH DENSITY & SATURATION FLATS & PARCELS	22	3,541	1.618	$ 5,728	$ 5,555	$ (173)	11,424,568	$0.000
14	CARRIER ROUTE	23	11,755	1.618	$ 19,015	$ 25,829	$ 6,814	9,335,928	$0.001
15	LETTERS	25	23,373	1.618	$ 37,808	$ 30,151	$ (7,656)	50,584,189	$0.000
16	FLATS	26	23,827	1.618	$ 38,542	$ 43,235	$ 4,693	6,783,186	$0.001
17	NOT FLAT-MACHINABLES & PARCELS	27	7,665	1.618	$ 12,399	$ 10,772	$ (1,626)	733,770	-$0.002
18	TOTAL STANDARD MAIL	105	71,399	1.618	$ 115,494	$ 116,678	$ 1,185	84,515,517	$0.000
19	PERIODICALS								
20	IN-COUNTY	31	45	1.618	$ 73	$ -	$ (73)	661,561	$0.000
21	OUTSIDE COUNTY	32	33,921	1.618	$ 54,870	$ 59,310	$ 4,440	6,415,178	$0.001
22	TOTAL PERIODICALS	110	33,965	1.618	$ 54,941	$ 59,310	$ 4,369	7,076,739	$0.001
23	PACKAGE SERVICES								
24	SINGLE-PIECE PARCEL POST	41	19,385	1.618	$ 31,357	$ 35,145	$ 3,789	70,218	$0.054
25	BOUND PRINTED MATTER FLATS	42	4,139	1.618	$ 6,695	$ 6,000	$ (695)	251,831	-$0.003
26	BOUND PRINTED MATTER PARCELS	43	3,144	1.618	$ 5,086	$ 5,706	$ 621	245,282	$0.003
27	MEDIA AND LIBRARY MAIL	44	8,392	1.618	$ 13,575	$ 10,584	$ (2,991)	107,829	-$0.028
28	TOTAL PACKAGE SERVICES	115	35,061	1.618	$ 56,714	$ 57,436	$ 722	675,160	$0.001
29	US POSTAL SERVICE	125	3,180	1.618	$ 5,144	$ 4,195	$ (949)	434,596	-$0.002
30	FREE MAIL	130	829	1.618	$ 1,341	$ 2,126	$ 785	61,854	$0.013
31	Total Domestic Market Dominant Mail	135	248,246	1.618	$ 344,844	$ 339,758	$ (5,086)	165,298,872	$0.000
37	COMPETITIVE MAIL	175	106,471	1.618	$ 172,225	$ 159,935	$ (12,290)	1,213,166	-$0.010
37	INTERNATIONAL MAIL	185	7,158	1.618	$ 11,579	$ 28,233	$ 16,654	959,826	$0.017
38	TOTAL MAIL		361,875	1.618	$ 585,362	$ 585,362	$ (0)		
39	TOTAL ATTRIBUTABLE	198	361,875	1.618	$ 585,362	$ 585,362	$ (0)		
40	OTHER	199	236,860						
41	GRAND TOTAL	200	598,735						

[1] VSD sample keys for Qtr1 and Qtr2 FY12 applied to FY11 CS8 piggyback dollars.

Question 11

Please provide the quarterly coefficients of variation and confidence intervals for TRACS-VSD estimates.

RESPONSE:

The estimated TRACS-VSD distribution key applied to FY 2011 VSD dollars is obtained from the TRACS-VSD system for the combined Q1 FY2012 and Q2 FY2012 periods. This material is contained in USPS-LR-RM2012-5/NP1.